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Xunlei Limited (XNET) CEO Lei Chen Q3 2017 Results - Earnings Call Transcript

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Q3: 11-12-17 Earnings Summary



EPS of \$-0.38 | Revenue of \$47.06M (+ 15.6% Y/Y)

Xunlei Limited (NASDAQ:XNET) Q3 2017 Earnings Call November 16, 2017 8:00 AM ET

Executives

Dani Zhang - Investor Relations Director

Lei Chen - Chief Executive Officer

Eric Zhou - Chief Financial Officer

Analysts

Leon Dean - Morgan Stanley

Ning Hu - AKQA

Operator

Good morning and thank you for standing by for Xunlei's Third Quarter 2017 Earnings Conference Call. At this time, all participants are in listen-only mode. After management's presentation, there will be a question-and-answer session. Today's conference call is being recorded.

I would now like to turn the conference over to your host today, Ms. Dani Zhang, IR Director of Xunlei. Ma'am, please go ahead.

Dani Zhang

Thank you, operator. Good morning and good evening. Welcome to Xunlei's third quarter 2017 earnings call. I'm Dani Zhang, Investor Relations Director at Xunlei. With me today on the call are Mr. Lei Chen, our CEO; and Mr. Eric Zhou, our CFO. Today's conference

Thank you, thank you very much and good luck with everything. Hopefully you guys can help the company transform into something much bigger and take a meaningful spot in the new internet of things era. Thank you.

Lei Chen

Thank you very much Leon.

Eric Zhou

Thank you.

Operator

The next question comes from the line of [inaudible]. Mr. Chang, please ask your question.

Unidentified Analyst

Okay, thank you. I'm [inaudible]. I want to know – want to actually know the critical risk of the One cloud coin, and I want to know what are the measurements you are doing to make money from you say these two coin cannot trade on the website. And what will the customer do in the [inaudible] which you make from the token coin, and the critical risk continue or no? This is one – this is the first question I want to know. And the second question is, in the future how Xunlei will do in the personal cloud computation? This is my question, thank you.

Lei Chen

Sorry, Mr. Chang, I think I'm not 100% catching the questions that you ask.

Unidentified Analyst

Yes, I want to know – yeah, the first question I will repeat is, that you said customer coins trade there are [inaudible] how is our Xunlei do with coins, and how to make money from this of the customers, how to make money.

Lei Chen

I see, so...

Unidentified Analyst

And...

Lei Chen

Okay, I see. The company has no plan to monetize over the coin at all. And as I said before, the crypto token is rewarded to users who volunteer in the OneThing reward program to encourage users to share idle bandwidth storage and the CPU computing for its leverage. That is volunteer program and is set up separate from the sales of the OneThing Cloud product itself.

So, I'd like to just explain a little bit about the – about it. So, OneThing Cloud as a product is priced at a slightly lower the market, the competitive market for equivalent products that are offered by other companies. And so, after purchasing OneThing Cloud, the user has a option to enroll into a voluntary program and to share their computing power and we rewarded it by this crypto token. From the beginning we as company has no plan at all to monetize on this coin, and we certainly do not in the future.

Unidentified Analyst

Okay, thank you. The next question I want to know what's the difference between OneThing Cloud and the ICO, what's the initial difference between these two?

Lei Chen

Well, the explanation – the definition of ICO I think we're as a private company we're not in the position to comment what is the very definition of ICO. But what I can tell our investors is that, we work closely with the regulatory authorities in China and we follow all the local regulations and laws. And we conduct business, we have been conducting business and we will conduct business in a manner that is honest and responsible, and meet all the regulations as law requirements.

Unidentified Analyst

The last question – okay. Compared to China net cash and present of Alibaba, what's the advantage of Xunlei in the safety and [inaudible]? Okay.

Lei Chen

Well, apparently we use different technologies to deliver the same results or better results to our business customers. Our crowd-sourced computing leverages users idle bandwidth storage and CPU power. As we all know, shared economy, the one important advantage

of shared economy is low marginal cost. So, with the growth of scale that our cloud computing business is continuing to obtain in the market, we will have a better cost structure and that's one major advantage over traditional CDN offerings.

I would also point out that even though we started with our CDN business, that is not the – that's definitely does not set a boundary for us. So we believe the crowd-sourced computing technology can be beneficial and applied to other domain of cloud computing. And we have initiated the effort towards that goal in this quarter, and I wish to report to you further advances in the future.

Unidentified Analyst

Thank you. Thank you very much.

Lei Chen

Thank you.

Operator

[Operator Instructions] The next question comes from the line of Ning Hu from AKQA. Please ask your question Mr. Hu.

Ning Hu

Hey, yeah, congratulations to management. So, yeah, I have two questions, the first one is for the CFO, Eric.

Eric Zhou

Yes.

Ning Hu

My question is – yeah, have you ever count it the OneThing Cloud hardware totally replaced the previous version [inaudible]. Is that – could it be profit based on current CDN price? Because the CDN market has been fighting for over a year, so that's my first question. The second question is, based on the company's balance sheet, so company only have 4% debt, so does the company considering to purchase maybe other CDN business in the future to grow revenue? Yeah, that's it.

Eric Zhou